

Message Text

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72

ACTION ARA-20

INFO OCT-01 ADP-00 STR-08 CEA-02 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07

H-03 L-03 NSC-10 PA-03 PRS-01 SS-15 USIA-15 RSR-01

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R 132120Z AUG 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3242

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E.O. 11652: N/A

TAGS: EFIN, AR

SUBJ: CLARIFICATION OF REQUIREMENT TO EXCHANGE FOREIGN EARNINGS

REF: BA 5516

1. LOCAL BANK ASSOCIATION REQUESTED CLARIFICATION OF CENTRAL BANK CIRCULAR R.C. 478 AND HAS BEEN ADVISED ORALLY BY CENTRAL BANK OFFICIALS THAT CIRCULAR, WHICH REQUIRES ALL PERSONS AND ENTITIES RESIDENT IN ARGENTINA TO REPATRIATE AND NEGOTIATE IN OFFICIAL FINANCIAL EXCHANGE MARKET ALL FOREIGN EXCHANGE EARNINGS, IS CONSIDERED TO APPLY TO QUOTE EARNINGS UNQUOTE IN BROAD SENSE, INCLUDING MONIES QUOTE OBTAINED, RECEIVED, MADE AVAILABLE, ETC. UNQUOTE. MEASURE APPLIES TO ALL SUMS CREDITED OR RECEIVED AFTER JULY 17, 1973, REGARDLESS OF WHEN ACTUALLY EARNED, AS WELL AS INCOME THEREON. IT INCLUDES INTEREST EARNED BY ARGENTINE RESIDENTS ON EXTERNAL BONDS (GOA BONDS DENOMINATED IN US DOLLARS WHICH PROVIDE FOR PAYMENT OF CAPITAL AND INTEREST IN DOLLARS OR OTHER FOREIGN CURRENCY IN ARGENTINA OR ABROAD AT THE OPTION OF THE BOND HOLDER) BUT DOES NOT APPLY TO REPAYMENT OF CAPITAL PORTION

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OF THESE BONDS. EXCHANGES MADE WITHIN SCOPE OF THIS CIRCULAR

MUST BE ACCOMPANIED BY A SWORN DECLARATION REGARDING THE FUNDS INVOLVED, INCLUDING HOW THEY WERE OBTAINED. CENTRAL BANK OFFICIALS ALSO INDICATED REQUIREMENT DOES NOT APPLY TO FOREIGN DIPLOMATS RESIDENT IN ARGENTINA, TOURISTS AND OTHER TEMPORARY RESIDENTS, AND CERTAIN FUNDS PERTAINING TO LOCAL INSURANCE COMPANIES.

2. FACT THAT REQUESTED CLARIFICATION WAS GIVEN ORALLY BY MIDDLE LEVEL CENTRAL BANK OFFICIALS AND WAS NOT IN WRITING HAS LED TO SOME DOUBT AS TO WHETHER IT ACTUALLY REPRESENTS FINAL WORD. BANKS, HOWEVER, UNDERSTOOD TO BE ACCEPTING IT AT FACE VALUE AND ACTING ON BASIS OF BROAD INTERPRETATION OF EARNINGS GIVEN ABOVE, WHICH WOULD APPEAR TO APPLY TO WIDE SPECTRUM OF ACTIVITIES OF MANY INDIVIDUALS AND CORPORATIONS HERE, DOMESTIC AS WELL AS FOREIGN. HOLDERS OF EXTERNAL BONDS, AT LEAST, WERE RELIEVED TO LEARN THAT REQUIREMENT ONLY APPLIED TO INTEREST ON BONDS AND NOT TO REPAYMENT OF ORIGINAL CAPITAL.

3. COMMENT: EVEN WITH BEST OF INTENTIONS, INDIVIDUALS AND CORPORATIONS LIKELY TO FIND IT DIFFICULT TO FULLY COMPLY WITH NEW REQUIREMENT, WHICH APPLIES TO ALL EARNINGS REGARDLESS OF AMOUNT. ENFORCEMENT OF REQUIREMENT BY GOA WILL BE EVEN MORE DIFFICULT, HOWEVER.

KREBS

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